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OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT
(A) SPECIFIC ACTIONS RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LANDLOCKED DEVELOPING COUNTRIES

Progress report by the UNCTAD secretariat

Executive Summary

Despite some positive developments in transit transport systems, lack of territorial access to the sea, aggravated by remoteness and isolation from world markets and high transit costs, risks continue to impose serious constraints on the overall socio-economic development of landlocked developing countries. As, they have not been able to take full benefit of the new trade and investment opportunities offered by the process of liberalization and globalization, they are in need of greater assistance to enable them to integrate effectively and beneficially into the global economy.

As most transit countries are themselves developing countries facing serious economic problems, including the lack of adequate transit transport infrastructure, regional cooperation initiatives, such as the World Bank's trade and transport facilitation project in South-East Europe and the Southern Africa Development Corridor and Spatial Development Initiative (SDIs) can be an asset through pooling resources and achieving needed economies of scale.

Effective regulatory frameworks and establishment of a conducive environment is a prerequisite for infrastructure development. Landlocked and transit developing countries should on the one hand, expedite reforms in the transport and related sectors and on the other hand, donors should reverse the downward trend in official development assistance (ODA). Also, multilateral and development institutions should promote innovative financing modalities such as co-financing, bank-to-bank loans and guarantees. Many landlocked and transit developing countries have undertaken measures to strengthen their regulatory and institutional frameworks and concluded bilateral and regional cooperative agreements. Donor countries and financial and development institutions have played an important role in supporting the normative laws and systems reform processes but greater financial and technical assistance is required for their effective implementation.

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CONTENTS

Pages

Introduction 3

SPECIFIC ACTIONS RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LANDLOCKED DEVELOPING COUNTRIES 5

A. Review of progress in the development of transit systems in landlocked and transit developing countries 5

B. Technical cooperation activities 7

i. Assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements 7

ii. Consultative meeting between landlocked developing countries and their transit neighbours 8

iii. Information technologies designed to enhance the effectiveness of transit systems ... 8

iv. Multimodal transit and trade facilitation project in Nepal 10

Introduction

1. In paragraph 1 of its resolution 54/199, the General Assembly welcomed the note by the Secretary-General of the United Nations and the progress report of the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) on specific actions related to the particular needs and problems of landlocked developing countries.[1] In paragraph 16 the General Assembly requested the Secretary-General of the United Nations, in consultation with the Secretary-General of UNCTAD, to prepare a report on the implementation of the resolution and submit it to the Trade and Development Board at its forty-eighth session and to the General Assembly at its fifty-sixth session. This report has been prepared in response to that request.

2. In paragraph 2 of the same resolution, the General Assembly welcomed the agreed conclusions and recommendations adopted at the fourth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held in New York from 24 to 26 August 1999.[2] In paragraphs 11 and 12 of the resolution, the General Assembly requested the Secretary-General of the United Nations to convene in 2001 another meeting of governmental experts from landlocked and transit developing countries and representatives of donor countries and financial and development institutions, to review progress in the development of transit systems in landlocked and transit developing countries, and to consider a proposal made at the fourth meeting in 1999 regarding the convening in 2003 of a ministerial meeting on transit transport issues so as to give appropriate emphasis on the problems of landlocked and transit developing countries. The fifth meeting was held under the auspices of UNCTAD from 30 July to 3 August 2001 at United Nations Headquarters in New York. The report of the meeting, including its conclusions and recommendations, is before the Board for its consideration (TD/B/48/14 - TD/B/LDC/AC.1/18).

3. In paragraph 14 of the resolution, the General Assembly noted with appreciation the contribution of UNCTAD in the formulation of international measures to deal with the special problems of landlocked developing countries, and urged UNCTAD, among other things, to keep under constant review the evolution of transit transport infrastructure facilities, institutions and services, to monitor the implementation of agreed measures, to collaborate in all relevant initiatives, including those of the private sector and non-governmental organizations, and to serve as a focal point on cross-regional issues of interest to landlocked developing countries.

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[1] A/54/529, annex

[2] TD/B/44/7-TD/B/LDC/AC.1

Paragraph 15, of the resolution the General Assembly invited the Secretary-General of UNCTAD, to take appropriate measures for the effective implementation of the activities called for in the resolution. The recent activities of UNCTAD on behalf of landlocked developing countries in this regard are highlighted in section A and B of this report.

4. In paragraph 5 of the Resolution, the General Assembly invited landlocked developing countries and their transit neighbours to implement their cooperative measures to strengthen further arrangements. Paragraph 10 of the Resolution invited donor countries, the United Nations Development Programme (UNDP) and multilateral financial institutions to provide these countries with appropriate financial and technical assistance.

5. In paragraph 13, the Secretary-General of UNCTAD was requested to seek voluntary contributions to ensure the participation of representatives of landlocked and transit developing countries in the fifth meeting of Governmental Experts from landlocked and transit developing countries and representatives of donor countries and financial and development institutions. He appealed to donor countries and relevant financial institutions to provide financial assistance for the above purpose. In response to his request, the Government of Japan made a generous financial contribution which made it possible for experts from the capitals of landlocked developing countries and resource persons to participate in the meeting.

SPECIFIC ACTIONS RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LANDLOCKED DEVELOPING COUNTRIES

A. Review of progress in the development of transit systems in landlocked and transit developing countries

6. In order to facilitate a review of progress in the development of transit systems of landlocked and transit developing countries, UNCTAD undertook analytical studies to highlight recent developments in the transit sector and made proposals for the way forward. Studies were submitted to the following intergovernmental meetings:

- The Fifty-fifth Session of the General Assembly, September, 2000;[3]
- The Third United Nations Conference on the Least Developed Countries, May, 2001;[4]
- The Fifth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, July, 2001;[5]
- The Forty-eight Session of the Trade and Development Board, October, 2001;[6]
- The Fifty-sixth Session of the General Assembly, September, 2001.[7]

7. The studies underline the importance of transport for the development process in general and for the promotion of national, regional and international trade in particular. The analytical studies confirmed that weak infrastructures and inefficient transit operations result in high transport costs and are major impediments to trade expansion and sustainable development in many landlocked and transit developing countries. The studies point out that development of a coherent, rural, national and international transport network is essential for stimulating economic activity, opening up productive areas in individual countries and linking them to national, regional and international markets.

8. Data used in the studies show that while the post-Uruguay Round most-favoured-nation (MFN) tariffs for the major developed markets (United States, Canada, European Union and Japan) is approximately 3.7 per cent, the average cost of transport for landlocked developing countries' exports is three times greater, (approximately 14.1 per cent) and double the cost of transport for developing countries as a group (about 8.6 per cent). Landlocked developing countries are also negatively affected by the high cost of their imports. A rough measure of transit cost disadvantages faced by landlocked developing countries is provided by balance-of-payments statistics which show freight costs as a proportion of cost, insurance and freight (c.i.f) import values. In 1995, freight costs were approximately 4.4 per cent of the c.i.f import values of developing countries. But for landlocked developing countries in West Africa they

[3] Transit environment in the Landlocked States in Central Asia and their transit developing neighbours (A/55/320)

[4] Concept Paper on Transport

[5] Transit Systems of Landlocked and Transit Developing Countries: Recent developments and proposals for future action (TD/B/LDC/AC.1/17); Review of progress in the development of transit transport systems in South-East Asia (UNCTAD/LDC/110); Infrastructure development in landlocked and transit developing countries: Foreign aid, private investment and transport cost burden of landlocked developing countries (UNCTAD/LDC/112); Review of recent progress in the development of transit transport systems in Latin America (UNCTAD/LDC/114); Review of Progress in the development of transit systems in Eastern and Southern Africa (UNCTAD/LDC/115)

[6] Specific actions related to the particular needs and problems of landlocked developing countries (TB/B/48/13)

[7] Specific actions related to the particular needs and problems of landlocked countries (A/56/...)

were approximately 24.6 per cent; in East Africa, approximately 16.7 per cent; and in Latin America, approximately 14.6 per cent. The freight costs of the sample of landlocked countries exceeded the freight costs of all countries on their respective continents by between 6 and 11 percentage points [8]

9. Furthermore, with increased competition in major markets forcing business to adapt to just-in-time production and management systems, flexibility, speed and reliability regarding the delivery of goods, also assumed significant strategic importance: flexibility, because transport logistics must be capable of adapting to variations in consumer demand and to unforeseen circumstances; speed, because the speed with which transport operations are carried out reduces the duration for tying up products – and therefore capital; and reliability, because it reduces the risks of breakdown in the supply or distribution of goods, and therefore reduces the need for safety buffer stocks.

10. Lack of territorial access to the sea, aggravated by remoteness and isolation from world markets and high transit costs and risks continue to impose serious constraints on the overall socio-economic development of landlocked developing countries. They have not been able to take full benefit of the new trade and investment opportunities offered by the process of liberalization. They need greater assistance to enable them to integrate effectively and beneficially into the global economy.

11. An effective strategy to improve transit systems requires, first and foremost, action at the subregional level because cooperation between landlocked countries and their transit neighbours is pivotal for the effective solutions of many transit problems. This cooperation to be sustainable must be promoted on the basis of the mutual interest of both landlocked and transit countries. Action to improve transit systems should not simply focus on cargo movement, but should have as its objective the development of efficient, flexible and well-managed transit systems geared to meeting the needs of exporters and importers from landlocked and transit developing countries.

12. Effective regulatory framework and establishment of a conducive environment is a prerequisite for infrastructure development. During the 1990s overall official development assistance (ODA) flows to infrastructure projects in developing countries fell by half, largely in response to the dramatic increase in private flows. In a few large developing countries, and particularly for the telecommunication and energy sectors, private capital flows more than compensated for loss in ODA, but for the majority of landlocked and transit developing countries the decline in ODA was not offset by private capital flows. For these countries, a substantial deficit persists, particularly when projected population growth and accelerating urbanization are taken into account. Moreover, a substantial increase in investment is required in these countries just to maintain the status quo. Development of infrastructure, including the upgrading of existing assets, requires a degree of financing exceeding the means of many landlocked and transit developing countries. The World Bank has estimated that Africa alone needs $18 billion to be invested in infrastructure on an annual basis. There is therefore a need to reverse the decline in external financing, especially ODA.

13. The studies also emphasize the need to address non-physical barriers which compromise the competitiveness of landlocked and transit countries, the reduction of high freight tariffs and the action to create and strengthen trade and professional transport associations at the

[8] Transit Systems of landlocked and transit developing countries. Recent developments and proposals for future action. Report by the UNCTAD secretariat. TD/B/LDC/AC.1/17 (2001).

national and regional levels. For this purpose, the capacities of Governments and regional institutions to undertake reforms, including further simplification, harmonization and standardization of transit procedures and documentation should be strengthened.

14. Many landlocked and transit developing countries have also accepted that the changing structure of transit trade results in demands for more efficient institutional arrangements at the national and regional level. An important manifestation of these changes has been the increased participation of the private sector. Although public-private sector partnership is on the rise, the process is still in its formative stage and requires support from the international community before it can become widespread.

15. Moreover, the changing nature of transit trade requires the enhancement of knowledge and skills of those involved in policy-making, regulatory functions as well as those responsible for day-to-day operations, through training, including continuing education for existing professionals. Regional transit transport cooperation involving adoption of common rules and technical standards require, Governments and the private sector to introduce new measures and actions designed to implement the various commitments.

16. In conclusion, the experts stressed that while landlocked and transit developing countries bear the primary responsibility for implementing the measures recommended, the international community should support national, bilateral and sub-regional infrastructure and transit transport projects, including one-stop border posts. To that end, the international community should improve current financing modalities and introduce new facilities, such as co-financing, bank-to-bank loans and guarantees.

B. Technical cooperation activities

1. Assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements

17. UNCTAD provided substantive and organizational support to the first and second negotiating meetings on the draft Transit Traffic Framework Agreement (TTFA) between the People's Republic of China, Mongolia and the Russian Federation, held in May 2000 and January 2001, respectively. A third meeting is scheduled for October 2001.

18. The TTFA would lay the basis of a solid sub-regional regulatory framework that would make transit operations in North-East Asia more efficient and cost effective, thus promoting the external trade of the sub-region and bolstering its economic growth. The TTFA is defined as a framework agreement because it foresees the negotiation of annexes, which would form an integral part of TTFA. As indicated in the relevant Articles, such as articles 7 and 8, the annexes would be negotiated and agreed at a later stage, and will address technical issues such as customs procedures, vehicle dimensions and maximum vehicle weights.

19. Concerned Governments, have on various occasions expressed their appreciation for UNCTAD's support. In a letter addressed to the Secretary-General of UNCTAD by the UNDP Administrator (May 2001), the Administrator singled out the above negotiations as "one of the most successful projects" financed by UNDP.

ii. Consultative meeting between landlocked developing countries and their transit neighbours

20. At the request of the Lao PDR, UNCTAD organized a Consultative Meeting Group in Vientiane in December 2000 between Lao PDR and its transit neighbours as well as representatives of donor countries and financial and development institutions. The meeting deliberations were facilitated by a background document prepared by UNCTAD entitled "Review of progress in the development of transit transport systems in South-East Asia" (UNCTAD/LDC/110). The meeting adopted a Plan of Action for improving Lao PDR's transit systems (contained in document UNCTAD/LDC/Misc.53). Meeting participants expressed appreciation to UNDP and UNCTAD for sponsoring such a consultative group.

iii. Information technologies designed to enhance the effectiveness of transit systems

a) Customs transit

21. Lack of effective control over transport equipment and cargo in transit undermines transit transport arrangements. Against this background an expert meeting was convened under the auspices of the Commission of Enterprise, Business Facilitation and Development in 1997. The meeting requested UNCTAD to develop a computerized system for transit procedures. As a result of this expert meeting, a new module of the ASYCUDA++ software was developed, in 1999, to manage customs transit procedures. A pilot version of this module, called Transit Module (MODTRS), was released for live testing in selected user countries in April 1999 and the fully operational module was included in the version 1.15 of the software and delivered to all the user countries. This module handles three transit documents, namely the Transit Form (T1), the TIR carnet and the First Identification Procedure (FIP). It is usable for all the forms of transit as defined in the Kyoto Convention covering the movements from the:

- Border office of entry to an inland office (import transit);
- Border office of entry to a border office of exit (through transit);
- Inland office to a border office of exit (export transit);
- Inland office to another inland office (internal transit).

22. The three documents are different and present specific features, but all apply the following principle: the system allows for data capture by the traders using the DTI module and/or by the customs officers. Upon validation of the document, a message is automatically transmitted to the office of destination using the appropriate ASYCUDA software, A++ GATE (ASYCUDA Global Access to Trade Efficiency), through the national telecommunications network. This message informs the office of destination that cargo should arrive in a given time delay. When the cargo arrives at destination, the transit message is retrieved, the transaction is closed and the release message automatically broadcast to the office of departure. This functionality gives customs complete and timely information on all operations.

23. The module works satisfactorily on a nationwide scale and has recently been enhanced by the development of new functions such as re-routing (changing the office of destination). As customs receive, in advance, complete and timely information on all operations there is no need for re-keying at the office of destination – processing delays are tremendously reduced at the border thus facilitating trade. The system is technically designed for permitting future

extension to cover the international transit operations (data exchange of message between countries).

b) Advance Cargo Information Systems (ACIS)

24. ACIS is a logistics information system designed to improve transport efficiency by tracking equipment on all transport modes (rail, road, and lake/river) and at the interfaces ports and inland clearance depot and providing information in advance of cargo arrival. ACIS provides transport operators with reliable and real-time data on transport operations, such as the whereabouts of goods and transport equipment, and thus improves day-to-day management and decision-making. Benefits to the railways which are currently using ACIS Rail Tracker include:

- Comprehensive data are now available on-line for traffic and other managers. The data include such information as the position of wagons on the network; and the number of broken-down wagons, wagons that have been loaded for more than three days and wagons that are in workshops;

- Weekly/monthly reports for managers at various levels within railway administrations can now be generated easily. The reports include such information as weekly loading data, customer/commodity performance, average locomotive kilometer/fuel issued and train transit time;

- Customer information has drastically improved from paper-based information systems, which took 4-5 days to provide a customer with information about the whereabouts of the customer's wagon, to real-time information.

c) Road traffic information systems in the United Republic of Tanzania and Zambia

25. UNCTAD is providing assistance to the United Republic of Tanzania and Zambia for implementing a Southern African Development Community (SADC) commitment on development of Road Traffic Information Systems. The requirement states that:

- Member States shall develop compatible national road traffic information systems in support of the administration and enforcement of their national and the regional road traffic and road traffic quality systems;

- The road traffic information systems shall contain information in respect of, amongst others: vehicle registration and licensing; driver and professional driver testing facilities; traffic offences and prosecutions; and traffic incidents.

26. Furthermore, the systems adopted in each country should be able to communicate with each other to assist in law enforcement. Several countries including Botswana, Lesotho, Malawi, Namibia, South Africa and Zimbabwe, have already introduced or are introducing computerized systems for vehicle registration and driver licensing. In general, the advantages of using computerized systems coupled with documents, which have built-in security features, include:

- Accurate and up-to-date registers;

- Considerable reduction in fraud;
- Better collection of revenues.

iv. Multimodal transit and trade facilitator project in Nepal

27. UNCTAD is executing a technical assistance project for the Government of Nepal aimed at the promotion of the trade and transport sectors (Project NEP/97/A53). This project, financed by the Government through a World Bank loan, is providing substantive support to secure the most efficient use of the construction of three inland clearance depots along the Indian border. The main activities covered by the project include the implementation of ASYCUDA and ACIS, and the establishment of a proper legal and commercial environment for efficient transport operations. In this context, advice was provided to the on-going negotiation process between Nepal and India for the revision of a transit treaty.

28. At the time of the renewal of the Transit Treaty between the Government of Nepal and the Government of India (December 1998), the project was asked to prepare comments. Proposals were made to:

- Integrate the 1996 agreement on containerized traffic;
- Take account of changes that have taken place in the nature of transit trade;
- Reflect changes which may permit some relaxation of customs control of transit goods;
- Incorporate international recommendations concerning transit traffic;
- Having regard to (ii) – (iv) above, simplify the requirements and procedures for customs transit control.